



INSIGHTS

108th Congress

March 18, 2003

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INSIGHTS is prepared expressly for the Department of Energy's Office of Federal Energy Management Programs (FEMP). The purpose of **INSIGHTS** is to provide FEMP management staff with timely information on legislative activities relevant to the program. **INSIGHTS** is prepared for FEMP by Energetics, Incorporated, (202) 479-2748.

I. WEEKLY SUMMARY

CONGRESSIONAL SCHEDULE

House

This week, House activities include the following topics of interest:

- Subcommittee on Energy and Air Quality (Committee on Energy and Commerce) mark up of comprehensive energy legislation (Tentative)
- Subcommittee on Readiness (Committee on Armed Services) hearing on the FY 2004 Defense Authorization bill (two hearings this week that will include a discussion on funding for military installations)
- Floor consideration of the House version of the FY 2004 Budget Resolution (Tentative)

Senate

This week, Senate activities include the following topics of interest:

- Committee on Indian Affairs hearing on accessing energy, including renewable energy on Indian lands
- Subcommittee on Clean Air, Climate Change and Nuclear Safety (Committee on Environment and Public Works) hearing on amendments to *Clear Air Act* provisions regarding fuel additives and renewable fuels
- Subcommittee on Veterans' Affairs, Housing and Urban Development and Independent Agencies on the FY 2004 Budget Request for the Environmental Protection Agency
- Floor consideration of the Senate version of the FY 2004 Budget Resolution

CONFERENCE COMMITTEES/VOTES

- *No activities of interest have been scheduled.*

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II. COMMITTEE ACTIVITY

HOUSE

Legislation

Comprehensive Energy Legislation Joe Barton (R/TX), Chair of the Subcommittee on Energy and Air Quality (Committee on Energy and Commerce) is tentatively scheduled to begin marking up

comprehensive energy legislation this week. Chairman Barton released a draft bill in February, which included many, but not all provisions for a comprehensive bill. For example, language dealing with renewable energy and ethanol fuel were missing in the draft and are expected to be added as the bill moves through the legislative process. The bill, which is to be marked up this week at the subcommittee level, is expected to include a number of minor revisions to the draft bill. Billy Tauzin (R/LA) Chair of the Committee on Energy and Commerce plans to complete the full committee mark up and bring the bill to the House floor prior to the April 11 Congressional recess.

FY 2004 Budget Resolution Last week, the Committee on the Budget marked up the non-binding FY 2004 Budget Resolution, providing \$775 billion in discretionary funding - \$11 billion below the President's request of \$786.6 billion. Committee Chair, Jim Nussle (R/IA), has expressed his determination to reduce the projected Federal deficit and protect the President's tax cut plan. Democrats and a number of moderate Republicans oppose the mark and plan to work to restore as much of the \$11 billion on the House floor. Funding reductions include a variety of programs, including environmental initiatives.

Summary of Hearings

Electric Restructuring Proposed Standard Market Design (SMD) rules and an investigation into the potential manipulation of the California energy market during the 2001 - 2002 power crisis have prompted energy industry activists to ask that Congress postpone debate about including electric restructuring provisions in a comprehensive energy bill. At a hearing of the Subcommittee on Energy and Air Quality (Committee on Energy and Commerce) on Joe Barton's (R/TX) proposed energy bill, both the National Rural Electric Cooperative Association and American Public Power Association (APPA) claimed that SMD rules and investigative findings may undercut electric provisions included in a comprehensive bill. John Twitty of APPA said, "We believe that until the various investigations into the causes of the western electricity crisis are completed and the results of those inquiries can be used to develop consensus on how to proceed on electricity policy, additional electricity restructuring provisions should be put aside." Republican and Democratic committee members agreed. Representative John Dingell (D/MI) said, "The pressure to act quickly is likely to preclude thoughtful consideration of the issue... the outlook for enacting electricity legislation is dim." However, Billy Tauzin (R/LA) opposes the Democratic recommendation and plans to mark up a bill that includes electricity restructuring.

Other key provisions within the draft bill were debated. Edison Electric Institute supports most of the provisions, citing that the bill will help improve transmission infrastructure, provide better market oversight, and remove barriers to market competition. APPA, an organization that acts on behalf of publicly owned utilities, contests many of the provisions, including open access transmission, repeal of *Public Utility Holdings Company Act*, and market transparency rules. Comprehensive energy legislation may be marked up this week (see related article.)

SENATE

Legislation

Comprehensive Energy Legislation Unlike the House, the Senate plans to mark up separate sections of comprehensive energy legislation at the committee level and then combine the individual bills into one large bill for consideration by the full Senate. For example, S. 517 was introduced last week; this bi-partisan bill provides tax incentives for a range of energy efficiency and renewable energy technologies resources, including energy efficient appliances, ethanol, wind, biomass, and biodiesel.

FY 2004 Budget Resolution Last week, Pete Domenici (R/NM), Chair of the Committee on the Budget released the “Chairman’s Mark” of \$785 billion for the non-binding FY 2004 Budget Resolution. In the report’s overview, Chairman Domenici states:

Revenues have fallen by nearly 9 percent over the last two years, and continue to underperform in early 2003. Meanwhile, spending grew by 12 percent over the same period. According to the Congressional Budget Office, the federal government would have recorded a budget deficit in 2002 even if the 107th Congress had never enacted a single spending increase or tax cut. These trends are neither acceptable, nor sustainable.

To Address these issues, the Chairman’s Mark for the fiscal year 2004 Congressional Budget Resolution invests in our economy and reestablishes enforceable limits on federal spending. The resolution reflects President George W. Bush’s proposals to address critical national priorities now, while seeking to reduce federal budget deficits over time as the economy grows stronger and we address threats abroad...

...The Chairman’s Mark restores and strengthens budget discipline by establishing enforceable caps on discretionary spending for 2003, 2004, and 2005. The spending caps are set at levels consistent with the President’s request, and are enforced with a 60-vote point of order.

The Chair’s Mark includes funding for the following programs of interest:

- Energy Supply Activities - \$802 million, representing a 15 percent (\$106 million) increase over actual FY 2003 funding to support the Freedom Fuel initiative (hydrogen-powered fuel cell technology research) and additional funding to support comprehensive energy legislation (including nuclear energy research and development).
- Federal Land Recreation Fee Demonstration Program – Assumes the fee collection program becomes a permanent initiative to provide additional funding to support maintenance and related projects at National Parks and other public land sites.

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IV. NEW LEGISLATION

(Note: Once a new bill is introduced, the Government Printing Office generally requires from several days to one week to make the bill available in print)

HOUSE

Number	Short title	Date	Sponsor	Status
H. R. 1175	Common Sense Spending Act	March 11	James Barrett (R/SC)	Referred to the Committees on the Budget and Rules
	<p>Amends the <i>Balanced Budget and Emergency Deficit Control Act of 1985</i>, to extend discretionary spending limits through fiscal year 2008 and to extend pay-as-you-go for direct spending.</p> <ul style="list-style-type: none"> ➤ Adjusts discretionary spending limits for FY 2004-2008: <p>FY 2004: \$765.5 billion in new budget authority FY 2005: \$780.8 billion in new budget authority FY 2006: \$796.4 billion in new budget authority FY 2007: \$812.365 billion in new budget authority FY 2008: \$828.6 billion in new budget authority</p> <ul style="list-style-type: none"> ➤ Assures that any legislation enacted before October 1, 2008, affecting direct spending that increases the deficit will trigger an offsetting sequestration. ➤ Reauthorizes <i>Balanced Budget and Emergency Deficit Control Act of 1985</i>, until 2008. 			
H.R. 1266	No Short Title	March 13	David Camp (R/MI)	Referred to the Committee on Ways and Means
	<p>Amends <i>Internal Revenue Code of 1986</i>, to modify the credit for the production of fuel from non-conventional sources and the credit for the production of electricity to include landfill gas.</p> <ul style="list-style-type: none"> ➤ Reduces credit for production from landfill gas facilities to \$2 from \$3 for the taxable year when facility is installed and operated ➤ Amount of qualified fuels sold during any taxable year shall not exceed an average barrel-of-oil equivalent of 200,000 cubic feet of natural gas per day ➤ Reduces credit for facilities placed into service before date of enactment from 1.5 cents to 1.0 cents 			

SENATE

Number	Short title	Date	Sponsor	Status
S. 597	<i>Energy Tax Incentives Act of 2003</i>	N/A	Grassley	N/A
Amends the <i>Internal Revenue Code of 1986</i> , to provide energy tax incentives.				
TITLE I—EXTENSION AND MODIFICATION OF RENEWABLE ELECTRICITY PRODUCTION TAX CREDIT				
<ul style="list-style-type: none"> ➤ Extends until January 1, 2007, credit for producing electricity from wind and poultry waste. ➤ Reduces tax credit to 1 cent for electricity produced from biomass produced by any facility placed in service before the date of enactment. ➤ Expands credit to include electricity produced from swine and bovine waste nutrients, geothermal energy, and solar energy. 				
TITLE II—ALTERNATIVE MOTOR VEHICLES AND FUELS INCENTIVES				
<ul style="list-style-type: none"> ➤ Provides \$4,000 to \$40,000 in credits for fuel cell motor vehicle hybrid motor vehicles, depending on fuel gross vehicle weight rating. Increases above credit by \$1,000 to \$4,000, based on model year fuel city economy, for added fuel efficiency. ➤ Provides \$250 to \$10,000 in credits for hybrid motor vehicles, depending on gross vehicle weight rating. Increases above credit by \$500 to \$3,000, based on model year fuel city economy, for added fuel efficiency. ➤ Provides new qualified alternative fuel motor vehicle credit equal to 40% of cost of vehicle, plus 30 %, if vehicle meets <i>Clean Air Act</i> standards or meets same requirements as vehicles which are sold or leased in California. ➤ Provides credit of amount equal to 50% of the amount paid or incurred for building fueling station, not to exceed \$30,000 for installation of alternative fueling stations. ➤ Provides alternative fuel retail sales credit of 30 cents for 2003, 40 cents for 2004, and 50 cents for 2005 and 2006. 				
TITLE III—CONSERVATION AND ENERGY EFFICIENCY PROVISIONS				
<ul style="list-style-type: none"> ➤ Provides credit for construction of new energy efficient home, not to exceed, in the case of a 30% home, \$1,250, and in the case of a 50-percent home, \$2,000. (‘30% home’ means a qualifying new home which has a projected level of annual heating and cooling energy consumption at least 30% less than the annual level of heating and cooling energy consumption of a reference qualifying new home). 				

Number	Short title	Date	Sponsor	Status
	<ul style="list-style-type: none"> ➤ Provides credit for energy efficient appliances equal to: <ul style="list-style-type: none"> ○ \$50 for clothes washers manufactured with at least a 1.26 MEF, or a refrigerator which consumes at least 10% less kWh per year than the energy conservation standards for refrigerators promulgated by the Department of Energy, effective July 1, 2001. ○ \$100 for clothes washer manufactured with at least a 1.42 MEF, or a refrigerator which consumes at least 15% less kWh per year than energy conservation standards. ➤ Provides credit for residential energy efficient property equal to: <ul style="list-style-type: none"> ○ 15 % of qualified photovoltaic property expenditures ○ 15 % of qualified solar water heating property expenditures ○ 30 % of qualified fuel cell property expenditures ○ 30 % of qualified wind energy property expenditures ➤ Also provides: <ul style="list-style-type: none"> ○ \$75 for each electric heat pump water heater ○ \$250 for each electric heat pump ○ \$250 for each advanced natural gas furnace ○ \$250 for each central air conditioner ○ \$75 for each natural gas water heater ○ \$250 for each geothermal heat pump ➤ Provides credit for business installation of qualified fuel cells and stationary microturbine power plants. Qualified fuel cell property credit shall not exceed an amount equal to the lesser of 30% of property, or \$500 for each 0.5 kilowatt of capacity of such property. Qualified microturbine property credit shall equal 10% of such property, or \$200 for each kilowatt of capacity of such property. ➤ Provides energy efficient commercial buildings deduction for: <ul style="list-style-type: none"> ○ Natural ventilation ○ Evaporative cooling ○ Automatic lighting controls such as occupancy sensors, photocells, and time clocks ○ Daylighting ○ Designs utilizing semi-conditioned spaces that maintain adequate comfort conditions without air conditioning or without heating ○ Improved fan system efficiency, including reductions in static pressure ○ Advanced unloading mechanisms for mechanical cooling, such as multiple or variable speed compressors ➤ Allows deduction for qualified new or retrofitted energy management devices to suppliers of electric energy or natural gas or provider of electric energy or natural gas services equal to the cost of each qualified energy management device. ➤ Provides 3-year applicable recovery period for depreciation of qualified energy 			

Number	Short title	Date	Sponsor	Status
	management devices.			
	➤ Provides energy credit for combined heat and power system property.			
	➤ Provides credit for energy efficiency improvements to existing homes equal to 10% of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during taxable year, not to exceed \$300.			
	TITLE VI—ELECTRIC UTILITY RESTRUCTURING PROVISIONS			
	➤ Treasury Department and FERC shall conduct ongoing study of Federal tax issues resulting from non-tax decisions on the restructuring of the electric industry.			
	➤ General Accounting Office conduct study of effectiveness of the alternative motor vehicles and fuel incentives provisions and conservation and energy efficiency provisions and the recipients of the tax benefits contained in such provisions.			

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V. ADMINISTRATION INITIATIVES

There are no initiatives of interest to report.

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VI. HEARINGS SCHEDULE

HOUSE – COMMITTEE ON APPROPRIATIONS

No hearings of interest have been scheduled.

HOUSE – AUTHORIZATIONS/OVERSIGHT

Date/Committee	Chair	Hearing Title/Issues	Witnesses	Time/ Location
March 18 – Subcommittee on Readiness (Committee on Armed Services) (NEW)	Joel Hefley (R/CO)	Hearing – Budget Request for the FY 2004 Defense Authorization bill (expected to included discussion on DOD installations)	Panel 1: Raymond DuBois, Jr., Deputy Under Secretary of Defense, Installations and Environment Panel 2: Mario Fiori, Assistant Secretary of the Army,	2:00 p.m. and 4:00 p.m. Room 2118 Rayburn Office Building

Date/Committee	Chair	Hearing Title/Issues	Witnesses	Time/ Location
			Installations and Environment	
			Larry Lust, Assistant Chief of Staff for Installations Management	
			Clyde Vaughn, Deputy Director, Army National Guard	
March 19 – (Tentative)	Joe Barton (R/TX)	Markup – Markup of comprehensive energy legislation	N/A	10:00 a.m. Room 2123 Rayburn Office Building
Subcommittee on Energy and Air Quality				
(Committee on Energy and Commerce)				
(NEW)				
March 19 –	Richard Pombo (R/CA)	Hearing – Enhancing Energy Security (including energy development on Federal lands)	Department of Interior representative; Mike Smith, Assistant Secretary for Fossil Energy, Department of Energy; Hunt Downer, Louisiana State Representative; Karl Gawell, Executive Director, Geothermal Energy Association; Mary Jane McCartney, Senior Vice President, Consolidated Edison Company of NY Inc.; Roger Cooper, Executive Vice President, American Gas Association; Raj Gupta, Chairman and CEO, Rohm and Haas Co., Diemer True, Chairman, Independent Petroleum Association of America; Wayne Wood, President, Michigan Farm Bureau Federation; Jaime	10:00 a.m. Room 1324 Longworth Office Building
Committee on Resources				
(NEW)				

Date/Committee	Chair	Hearing Title/Issues	Witnesses	Time/ Location
			Steve, President, American Wind Association; Mary Novak, Managing Director, Global Insight, Inc.; Roland Sparrow, Wildlife Management Institute; Howard Richards, Chairman, Southern Ute Tribe	
March 20 – Subcommittee on Readiness (Committee on Armed Services) (NEW)	Joel Hefley (R/CO)	Hearing – Budget Request for the FY 2004 Defense Authorization bill (expected to include discussion on DOE installations)	Panel 1: H.T. Johnson, Acting Secretary of the Navy; Ronald Coleman, Assistant Deputy Commandant of Installations and Logistics for the Marine Corps; Christopher Cole, Office of Chief of Naval Operations, Ashore Readiness Division; and Craig McDonald, Deputy Director of Naval Reserve Panel 2: Nelson Gibbs, Assistant Secretary of the Air Force, Installations, Environment and Logistics; Earnest Robbins, Air Force Civil Engineer; David Brubaker, Deputy Director, Air National Guard; and William Rajczak, Deputy to the Chief of Air Force Reserve	3:00 p.m. Room 2118 Rayburn Office Building

CONFERENCE COMMITTEE NEGOTIATIONS/FLOOR VOTES

Date and Action Item	Topic	Location
Week of March 17– Floor debate (NEW)	FY 2004 Budget Resolution	Time: TBD House Chamber

SENATE – COMMITTEE ON APPROPRIATIONS

Date/Committee	Chair	Hearing Title/Issues	Witnesses	Time/Location
March 19 – Subcommittee on Veterans' Affairs, Housing and Urban Development, and Independent Agencies	Christopher Bond (R/MO)	Hearing – FY 2004 Budget Request for the Environmental Protection Agency	Christine Whitman, EPA Administrator	10:00 a.m. Room 138 Dirksen Office Building
(NEW)				

SENATE – AUTHORIZATIONS/OVERSIGHT

Date/Committee	Chair	Hearing Title/Issues	Witnesses	Time/Location
March 19 – Committee on Indian Affairs	Ben Nighthorse Campbell (R/CO)	Hearing – Legislation related to energy on Indian lands, including S. 424, the <i>Tribal Energy Self-Sufficiency Act</i> , and S. 522, the <i>Native American Energy Development and Self Determination Act of 2003</i> .	TBA	2:30 p.m. Room 485 Russell Office Building
(NEW)				
March 20 – Subcommittee on Clean Air, Climate Change and Nuclear Safety (Committee on Environment and Public Works)	George Voinovich (R/OH)	Hearing – Amending <i>Clean Air Act</i> provisions regarding fuel additives and renewable fuels	David Bauer, Vice President of Government Relations, American Road and Transportation Builders Association; Scott Segal, Partner, Bracewell and Patterson; David Garman, Assistant Secretary for Renewable Energy, Department of Energy; Guy Caruso, Director, Energy Information Administration, DOE; Craig Perkins, Director,	9:30 a.m. Room 406 Dirksen Office Building
(NEW)				

Date/Committee	Chair	Hearing Title/Issues	Witnesses	Time/ Location
			Environment and Public Works Management; Paul Granger, Superintendent, Plainview Water District, Plainview, N.Y.; Blakeman Early, Consultant, the American Lung Association; Robert Slaughter, President, National Petrochemical and Refiners Association; Fred Yoder, President, National Corn Growers Association; Red Caveny, President, American Petroleum Institute; and Jeffrey Holmstead, Assistant Administrator for Air and Radiation, Environmental Protection Agency	

CONFERENCE COMMITTEE NEGOTIATIONS/FLOOR VOTES

Date and Action Item	Topic	Location
<i>March 17</i> –	FY 2004 Budget Resolution	1:00 p.m. Senate Chamber
Floor debate		
<i>(NEW)</i>		

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